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## Annual Report 1979

**Tembec**

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Six year Review





Temiscaming — last of the river wood



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# Financial Highlights



	\$ in 1,000's	
	1979	1978
Sales	\$ 74,466	\$ 66,329
Net Income	\$ 5,387	\$ 3,070
Depreciation	\$ 1,674	\$ 1,643
Capital Expenditures	\$ 3,899	\$ 1,280
Wages & Salaries & Benefits	\$ 10,658	\$ 9,542
Number of Employees	575	522
Tonnes Produced	137,991	138,378
Shareholders' Equity	\$ 24,068	\$ 18,681
Common Shares Outstanding	575,090	584,305
Book Value Per Common Share	\$40.11	\$30.26
Earnings Per Common Share	\$ 9.37	\$ 5.25





Tembec People—No. 1 Pulp Dryer Expansion



## Chairman's Report

The year 1979 was a good one for your Company! Following liquidation of excessive inventories in North America and Scandinavia, prices returned to more realistic levels. A continued excellent performance by the marketing and production management groups allowed your Company to capitalize on these substantially improved market conditions.

Product mix continued to improve in 1979, with the result that 95% of our production was in dissolving and specialty grades. We have now reached the product mix goals we set for the Company five years ago when 80% of our production was in paper grades.

Consolidated earnings reached \$5,386,410 or \$9.37 a share, in 1979, up from \$3,069,657, or \$5.34 a share, in 1978. Earnings from operations totalled \$3,430,745 in 1979 in contrast to a loss of \$247,612 in 1978. Tembec's share of earnings of Midtec and Nitec in 1979 totalled \$1,855,665.

The return on equity in your Company in 1979 was 28.9% while the return on total assets was 8.7%. The return on Tembec's investment in MN Holdings was 28.5%.

### Our Five-Year Plan

Because of the return to profitable operations, your Company is now in a strong position to expand and modernize its plant after its initial six years of operation.

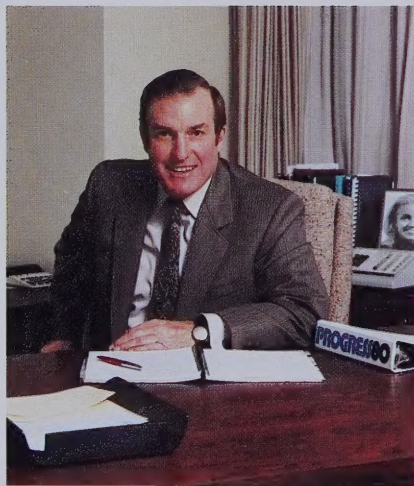
During this period of base building, Tembec has experienced "the best of times and the worst of times" in terms of industry profitability. And the Company has emerged as a viable entity among world dissolving and specialty pulp producers. In this short period of time we have substantially improved our capital structure, with 1979 marking the year in which our shareholders' equity pulled ahead of our long-term debt.

**Progress in the form of Profits** in a period of rapidly-changing market conditions has made it possible for Tembec to obtain the necessary financing to embark upon its growth program. A \$25 million long-term loan has been secured for that purpose as well as an \$8 million working line of capital.

The broad corporate objectives of this plan are to:

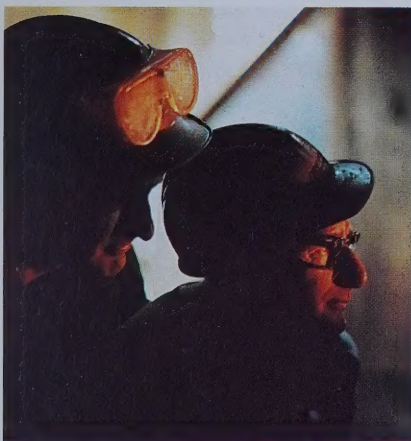
1. Continue our emphasis on high technology and quality improvement.
2. Increase productivity with reduced unit costs.
3. Conserve both natural resources and the environment.
4. Increase our level of profitability so that all employees and shareholders may benefit.

During the past two years, detailed analysis and planning have resulted in the development of a \$70 million five-year business plan. The program, which is now under way, will expand our capacity by 42,000 metric tons a year; will modernize the mill by replacing obsolete equipment; and will bring the mill in compliance with environmental regulations.



**George S. Petty**  
Chairman & Chief Executive Officer



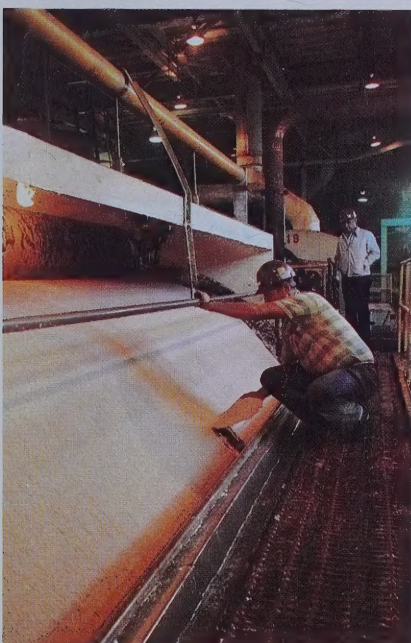


The five-year program also includes the installation of an energy recovery system which will provide 50% of the mill's energy requirements and at the same time significantly reduce biochemical oxygen demand (B.O.D.) in the mill effluent as well as provide for some chemical recovery. With energy costs rapidly escalating, this program will have a major beneficial impact on Tembec's future earnings.

The pre-evaporation of the waste pulp cooking liquors for energy recovery opens the door to the development of a wide variety of chemical co-products. These will be produced from that portion of the evaporated waste liquor not burned for energy and chemical recovery.

One of the most attractive potential co-products is ethyl alcohol for industrial use or for gasohol. We plan to have the alcohol plant in production by early 1982.

Your Company is also actively developing plans to recover and produce various lignin compounds and other co-products.



As the various segments of the Five-Year Business Plan come to fruition, a significant impact will be felt in Tembec's sales and earnings. Company sales in constant dollars are projected to increase to \$125 million in 1985 compared with \$74 million in 1979.

#### **Midtec-Nitec**

In 1979 a major \$75 million expansion got underway at Midtec, our affiliate operation at Kimberly, Wisconsin, to increase coated paper capacity by 125,000 short tons a year through the installation of a new paper machine and supporting equipment. The expansion was financed by Canadian Export Development Corporation and the paper machine is being manufactured in Quebec by Dominion Engineering Company. This project is moving ahead on schedule and is planned for start up in early summer of 1980.



The production from the new paper machine has been pre-sold under long-term contracts with publishers and printers who participated in the financing. This machine will broaden Midtec's product line to include lightweight groundwood publication grades, while increasing Midtec's coated paper capacity by 75% to a total of 290,000 tons by the end of 1980. Planned speedups on paper machines 1, 3 and 5 will further increase Midtec's capacity by an additional 70,000 tons per year by 1983 for a total mill capacity of 360,000 tons making the Kimberly mill one of the largest coated paper mills in the world.

An expansion program is also underway at Nitec to increase coated paper capacity by 67,000 short tons annually to a total of 136,000 tons. This will be accomplished by speeding up the two existing machines as part of major rebuilds.

Upon completion of the programs at both Companies, the combined coated paper capacity of Midtec-Nitec will be 500,000 short tons a year, making this Company the third-largest producer of coated paper in the world.

Our studies of the coated paper market indicate a continuing strong demand once we emerge from the current recession. Although new capacity coming on stream should fill the current shortage in supply, our broad product line and pre-sold position of a substantial volume of our tonnage will greatly strengthen our competitive position.

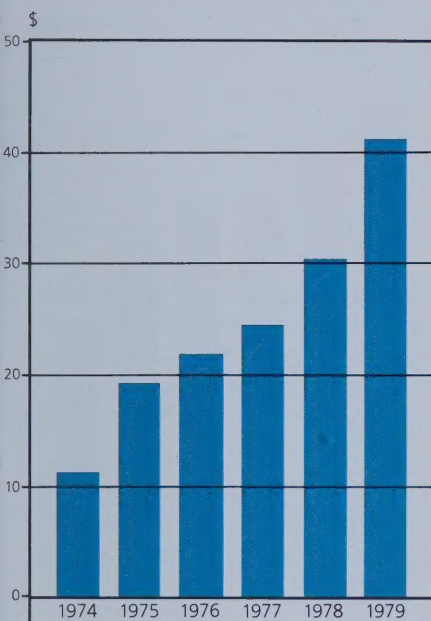
### **Human Resources**

Our Company's past progress and future success depends in large measure on the dedication and whole-hearted efforts of our Tembec, Midtec and Nitec people.





## Book Value Per Share



In May 1979, Frank A. Dottori was elected President and Chief Operating Officer succeeding Joseph Mason who resigned as President but who continues to serve as Vice Chairman of the Board. Frank Dottori is well qualified for his new position, having spent the last 20 years working through all aspects of the dissolving and specialty market pulp business.

I would like to take this opportunity to express our sincere thanks to both Joe Mason and to Jack Stevens for their many valuable contributions to the Company. Jack, who retired during the year, is one of the original founders of Tembec and provided engineering and technical advice during his term as Senior Vice President Engineering and Technical.

To all Tembec employees my thanks for a job well done in 1979.

### Facing The Eighties

As your Company moves into the Eighties, I am more confident than ever about Tembec's future success. In the short time we have been in business we have built a strong position in the world dissolving and specialty pulp industry, serving companies that are leaders in their field.

I believe that Tembec will become increasingly competitive throughout the Eighties and will further consolidate our position in our chosen field. The capital program now underway will totally revamp the Temiscaming Mill and make it one of the most efficient pulp mills in the world. Our continued success depends on our production of high-quality pulp at competitive costs, our dedication to the interests of our customers and the ability to generate profits to sustain our growth.

This is our goal. Nobody owes us a living. We must earn our way. All our efforts and resources shall be directed to that end. While others may drop out of the race, Tembec plans to move ahead.

*George S. Petty.*

Chairman & Chief Executive Officer



## Operation Review



**Frank A. Dottori**  
President & Chief Operating Officer

The year 1979 brought about a dramatic improvement in profitability. It rekindled an enthusiasm in both management and production workers. The past year not only saw the completion of our detailed planning for the expansion-modernization-environmental program but also the start of construction and installation of some of the projects.

### Production and Costs

Production in 1979 totalled 137,900 tonnes, of which 95% was dissolving and specialty pulps. While the total tonnage was about the same as the previous year, we increased our proportion of dissolving pulp grades which generally run at lower rates.

Production costs were pretty well on budget and we were able to limit our variable cost increases to 2% over 1978 levels. This small increase was attributable mainly to our increased use of lower-priced hardwoods and optimization of chemical usage.

Work continued on our program to increase the use of hardwoods in our pulps. This will not only provide a better utilization of the forests, but will allow us to produce a wider range of pulps to meet our customers' requirements.

During the year we negotiated and signed contracts to bring a natural gas supply into the mill. We expect to be in a position to utilize this fuel by the summer of 1980 and thereby reduce our dependence on imported fuels. At the same time, we will be converting one of our boilers to burn waste sulphite liquor and this will replace about 50% of our fossil-fuel requirements.

### Capital Expenditure Program

Our 5-year capital expenditure program, totalling over \$70 million, got underway in earnest in 1979. One of the main objectives of this program is to increase our capacity by 42,000 metric tons from 142,000 to 184,000 tons annually. At the same time, the program will allow a complete remodelization of the mill and will ensure that the mill is in compliance with future environmental regulations.

The program will provide increased capacity at a cost of approximately \$250,000 per daily ton, a figure considerably lower than the \$500,000 per-daily-ton-cost of a new mill. At the same time the program will reduce suspended solids in the effluent by 80%, will reduce the biochemical oxygen demand by 60%, and will significantly reduce particulate emissions and gas discharges to the atmosphere.

The following list briefly describes some of the major projects with expected completion dates and capital cost.

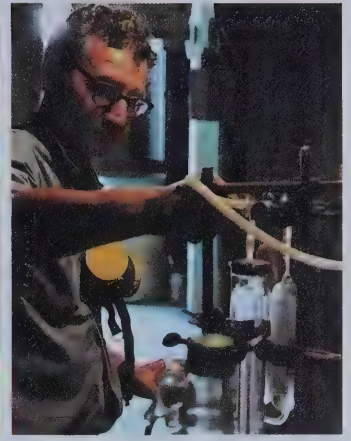
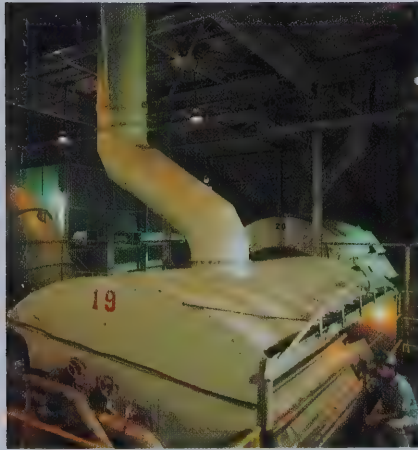
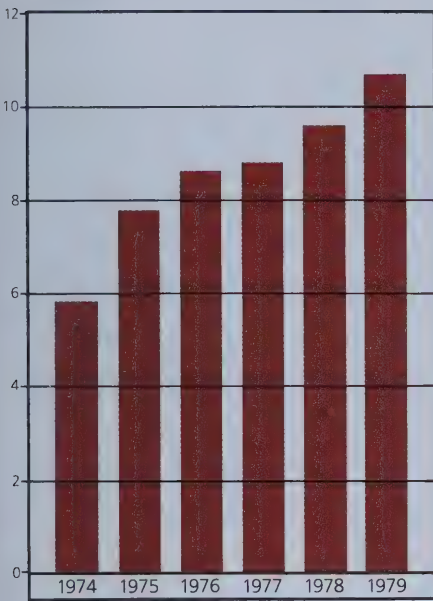
#### *—Relocate and Modernize Winders (October, 1979) \$332,000*

The winders have been relocated to make space for the expansion of No. 2 Dry Machine. At the same time, their capacity will be increased to cope with the increased production from the dry machines.



## Annual Payroll and All Benefits

\$ Million



### —Increase No. 1 Dry Machine Capacity (October, 1979) \$752,000

An additional 14 can dryers have been added to No. 1 Dry Machine to increase the capacity by 25%.

### —Monitor Sewers (December, 1979) \$101,000

Monitoring devices have been installed on all effluent sewers along with sampling and testing facilities in order to put the mill in compliance with government regulations to monitor the effluent.

### —Package Boiler (April, 1980) \$1,823,000

A package boiler has been installed to generate additional steam required for the expansion program to allow the conversion of No. 9 Boiler to burn waste sulphite liquor without any productivity losses.

### —Increase No. 2 Dry Machine Capacity (September, 1980) \$3,345,000

A new airfloat dryer, complete with reel section and pulp-handling monorail system will be installed to increase the capacity of our No. 2 Dry Machine by approximately 120 tons per day.

### —Modernize Finishing Lines (November, 1980) \$520,000

This project will increase the finishing capacity by 200 metric tons per day.

### —Red Liquor Washer (November, 1980) \$6,447,000

This program involves a major overhaul of the unbleached system through the installation of a blending tank, knotters, three pulp washers and related equipment. This project will remove suspended solids, will collect sulphite liquor prior to burning, will improve quality control and will allow the recovery of approximately 5 tons per day of fibre.

### —Rope And Broke System (December, 1980) \$426,000

The wet end and dry end broke system will be installed on No. 2 Dry Machine along with a rope-carrying system to eliminate hand threading.

### Warehouse Addition (December, 1980) \$2,406,000

A new warehouse will be constructed to replace space lost by the dry machine expansions.

### —Screen Room Improvements (July, 1981) \$2,350,000

Two new deckers, along with related equipment, such as storage tanks, control room and general modernization of the screening facilities will be covered under this project. The results will be reduced suspended solids to the sewer and increased capacity of the screen room facilities.





—*Energy Recovery System (September, 1981) \$16,030,000*

This is a major program which involves the installation of an Aqua-Chem evaporator system, the refit of No. 9 Boiler to burn concentrated waste liquor and the necessary support equipment, including a gas scrubber to recover sulphur dioxide. This system is designed to tie in with the new alcohol plant in which the sulphite liquor sugars will be fermented, the alcohol removed and the residue fed to the recovery boiler for burning. Initially 50% of the liquor will be burned and the remaining liquor will be utilized for products such as ligno-sulphonates or will be burned for recovery of energy and chemicals.

—*Spill Collection System (December, 1981) \$3,250,000*

Piping will be installed to collect all overflows and pulp spills, and convey them to a centralized recovery system. This project will assist in meeting environmental control standards.

—*Sulphur Burning (December, 1981) \$440,000*

Additional sulphur burning capacity will be installed to allow the Company to eliminate the need to purchase expensive liquid sulphur dioxide.

—*Alcohol Plant (March, 1982)*

This plant will utilize the sugars in the waste sulphite liquor to produce ethyl alcohol. This program is attractive as it will not only eliminate a large portion of the BOD pollution load in the effluent but at the same time will provide a product that is cheaper in cost than alcohol produced from competitive sources such as ethylene or grain. The plant will have a capacity of six million gallons per year and will provide customers with a secure source of supply that is not subject to the vagaries of world oil pricing.

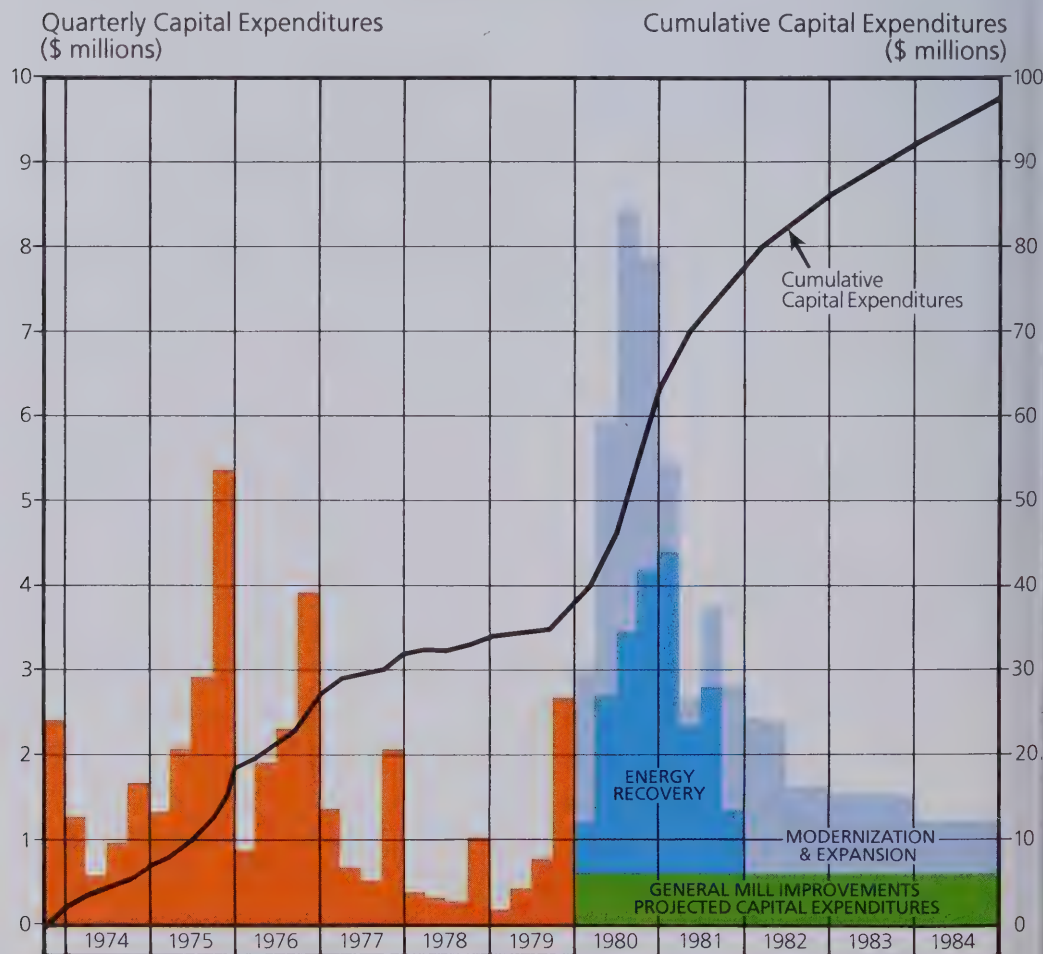
—*Bleach Plant Improvements (May, 1982) \$750,000*

This program covers the replacement of older obsolete parts in an overall modernization program to ensure that the bleach plant bottlenecks will be eliminated in order to allow the mill to meet its production objectives outlined in the 5-year plan.

**Capital Expenditures—**

**Actual: 1973-1979**

**Projected: 1980-1984**



Fiscal Years Ending September 30





—*Deflouring Clarifier (May, 1982) \$908,000*

Two 36-foot clarifiers will be installed in the screen room to reduce the amount of suspended solids in the effluent by removing approximately 5 to 15 metric tons per day of flour.

—*Bleached Stock System Revisions (August, 1982) \$2,406,000*

Two new deckers, a slusher, pulp cleaners, storage chests, and white water tanks will be installed to close up the white water system ahead of our dry machines.

—*Screenings Handling (June, 1983) \$200,000*

This program includes improvement to the wet machines to recycle white water and also will prevent spills of fibre or tailings to the sewer. The resultant screenings will be marketed to the building products industry.

—*Clarifier (December, 1983) \$1,689,00*

A 150-foot diameter clarifier with related piping equipment will be installed to ensure that the mill is in compliance with future environmental requirements.

*Red Stock System Improvements (1986) \$6,894,000*

Additional washing and storage capacity, along with a digester liquor drawn-down system, will be installed. This project will completely modernize the system to empty the digesters and provides for effective collection of red liquor and elimination of the venting of sulphur dioxide to the atmosphere. This will not only conserve energy, but at the same time, will recover chemicals and eliminate atmospheric pollution.

**Product Development:**

In addition to developing new products from the waste liquor, we have an ongoing program to develop individual grades of pulp specifically designed to meet customer requirements.

We are continuing our programs with various customers to produce lower-alpha pulps—a program which will provide benefits not only to Tembec but also to the customers. These lower-alpha pulps reduce wood requirements, which is a major cost component. This development assists our rayon and cellophane customers in meeting competition from petroleum-based fibres and films. The program also has beneficial side effects in that it reduces the BOD pollution load in the effluent from the mill.

**Looking Ahead:**

We look forward to the problems and opportunities presented by the aggressive program we have planned for the next five years. We have the necessary ingredients for success—an ample supply of wood, skilled and dedicated employees, low capital-cost facilities, plus the desire and conviction that we are making Tembec the premier producer of dissolving and specialty pulps in the world.





**W. John Lafave**  
Vice-President Marketing

## Marketing Review

### Marketing Strategy

Since 1973 Tembec has stressed the need to develop dissolving and specialty grades of pulp which will provide the best opportunity to enhance Tembec's profitability over the long term.

We have been successful in implementing our goal to develop this market sector and in 1979, 95% of our pulp sales were in the specialty and dissolving category.

Tembec now stands as one of the major producers of northern softwood dissolving and specialty pulps produced by the sulphite process. We are backing up our inherent beliefs in the advantages of sulphite pulps by our continuing and planned future investment in mill improvements and capacity expansion. Specific marketing advantages of sulphite pulps include the following:

1. The sulphite process is more flexible than the kraft process so that pulps can be tailor-made more precisely to meet customer requirements.
2. Sulphite fibers offer better brightness stability than kraft fibers for high-brightness specialty uses.
3. Sulphite pulp provides smoother and softer fibers for better printing and surface characteristics in specialty and photographic grades.

### The Competitive Edge of Cellulosics

The continuing strengthening in the demand for dissolving and specialty pulps in 1979 was prompted by a general improvement in the economies of most countries of the world and more specifically by a strong demand for rayon, and disposable convenience products.

Continuing quality improvements in rayon, particularly in the high wet-modulus type; the rapidly-rising costs of production of oil-based fibers such as nylon and polyester; the inherent absorbency and softness of rayon; and the fashion trend towards the silk-like look have all contributed to the growing popularity of rayon blends.

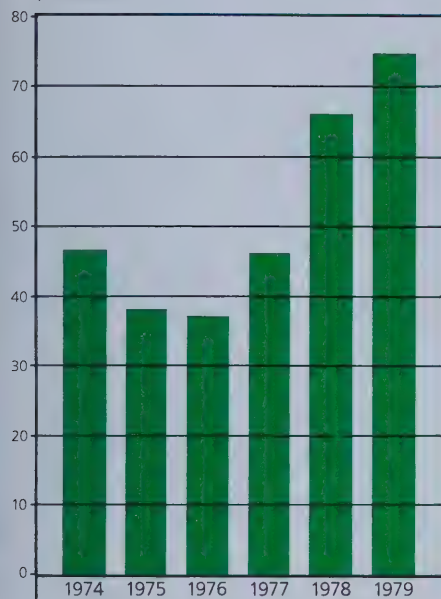
The adverse effect of steadily-rising oil prices affects the synthetics fibers in several ways. About half the petroleum used in the production of polypropylene and other synthetic fibers goes into feedstock, while the other half goes into energy to convert the raw materials to fibers. A further cost pressure on petroleum-derived fibers is the demand for paraxylene in the manufacture of polyester—a chemical in heavy demand for the production of unleaded gasoline.

While the manufacture of rayon and acetate also requires energy, the feedstock—dissolving pulp—is produced from wood, a renewable resource. Continuing efficiencies at our mill and our work in the development of lower-cost high-yield pulps should make our customers who produce rayon and acetate increasingly more competitive to the oil-based synthetics producers.



## Sales

\$ in millions



### The Rediscovery of Rayon

The basic qualities of new types of rayon products are being increasingly recognized by the textile industry and by fashion leaders. Rayon fibre provides unique advantages to the textile manufacturer and new types of rayon are very similar to cotton in appearance. The soft, drapable qualities of rayon and its unique ability among man-made fabrics to absorb moisture make rayon particularly desirable for use in high-fashion clothing and in fabrics used for everyday garments in the warmer and humid areas of the world.

As result of these qualities, we foresee continuing gains for rayon in the fashion-textile market in the developed countries and in the basic clothing market in the developing countries.

### Other Dissolving and Specialty Pulp Products

Tembec produces more than 20 different chemical cellulose grades of pulp to meet the demand of diverse end-use markets. In addition to rayon, some of the other major products using our highly-specialized dissolving grades include acetate fibers, cellophane, nitrocellulose, and microcrystalline cellulose. Specialty pulps have been developed for use in such products as plastics, sanitary products, photographic papers and specialty papers.

The use of our pulps in the production of cellophane is suprisingly strong in view of the intense competition in the packaging field from synthetic films such as oriented polypropylene. Because of rapidly-rising oil costs, the cost advan-



tage of synthetic films over cellophane is disappearing and cellophane is still the preferred film for packaging of snacks, cookies, candies, and cheeses. In addition, cellophane is finding a growing use in multi-component films.

### Fluff Pulp

The utilization of fluff pulps for the manufacture of sanitary napkins, disposable diapers, towelling and hospital incontinent pads has shown a rapid growth, not only in North America and Europe but more particularly in third world countries. Sulphite pulp provides unique advantages in the production of disposable diapers—the whiteness and superior absorbency characteristics of the fibre make it very desirable for use in high-quality products. Tembec's strategy has been to introduce our pulps to as wide a base as possible. We anticipate significant growth in shipments to these markets in 1981 and beyond.

Continued gains were made in 1979 in the development of individualized grades of pulp specifically designed to meet customer requirements. The acceptance of Tembec pulps and the close relationship developed with customers that are leaders in their fields, not only in Canada and the United States but also in the other major markets of the world, testify to the success of our development program.



**Chemical Co-Products**

As indicated earlier, Tembec expects to launch a major program in the development of co-products based on the waste sulphite liquor resource stream. These co-products include ethyl alcohol which can be produced from the sugars in the liquor and which can be used in the industrial and pharmaceutical sector, or for gasohol.

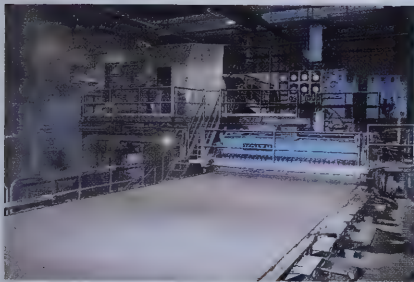
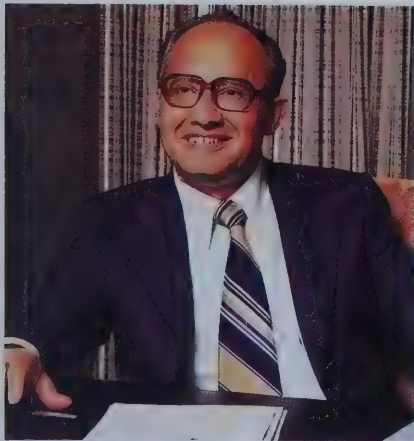
The market for lignosulphonates, another of the products we plan to produce from our pulp mill effluent, now stands at over 600,000 tons in the United States and has been growing at an 8% annual rate. Lignosulphonates are used as binders, dispersants, water-treatment additives and as an oil-well drilling-mud conditioner. Waste sulphite liquor also provides the opportunity to develop numerous other chemical products which the Company is studying. As energy costs continue to rise, the value of this resource stream will increase significantly and provide tremendous opportunities for new products in the future.

**The Future**

Our marketing strategy will continue to focus on those products from our ammonia-based sulphite mill which are most efficient for us to produce and which utilize our manufacturing and marketing know-how in the most profitable manner. Major emphasis will be concentrated on the continuing improvement of our pulps and in working with our customers to tailor pulp specifications to their advantage.







## Midtec-Nitec

Sales and net profit at both Midtec and Nitec reached new highs in 1979. Sales of \$109,285,000 at Midtec and \$62,307,000 at Nitec resulted in combined sales of \$171,592,000. Net income of MN Holdings in 1979 amounted to \$6,330,000 an increase of 15% over 1978.

In 1979, 160,538 short tons of paper were produced at Midtec and 102,985 tons were manufactured at Nitec, for a total output of 263,523 tons. Employment totalled 1,778 at both companies with an average of 1,118 employees at Midtec and 660 at Nitec.

A major expansion program was started in 1979 at both Midtec and Nitec. This includes 196,000 tons of increased capacity at Kimberly, Wisconsin, (Midtec) and 67,000 tons at Niagara Falls, New York (Nitec). Upon completion of this program, MN Holdings will be the third largest producer of coated paper in the world with a total capacity of 500,000 tons by 1983.

### The Midtec Expansion

The major increase in capacity at Midtec will come from the new machine (M6) now under construction with a capacity of 125,000 tons a year. An additional increase of about 70,000 tons will result from the speedup of existing machines.

Ground was broken for the new machine addition in May 1979, and a new three-storey building was completed by year end. The new paper machine will produce a base sheet at a speed of 3,000 feet per minute and will have a trim of 215 inches. The base sheet will be coated on a 4,000 feet-per-minute off-machine coater. Supporting equipment will include two re-reelers, two supercalenders, a new winder, rewinder, and roll-wrapping equipment. This new complex is designed for the production of lightweight publication grades down to a 32-pound basis weight. The machine is targeted for startup in the summer of 1980.

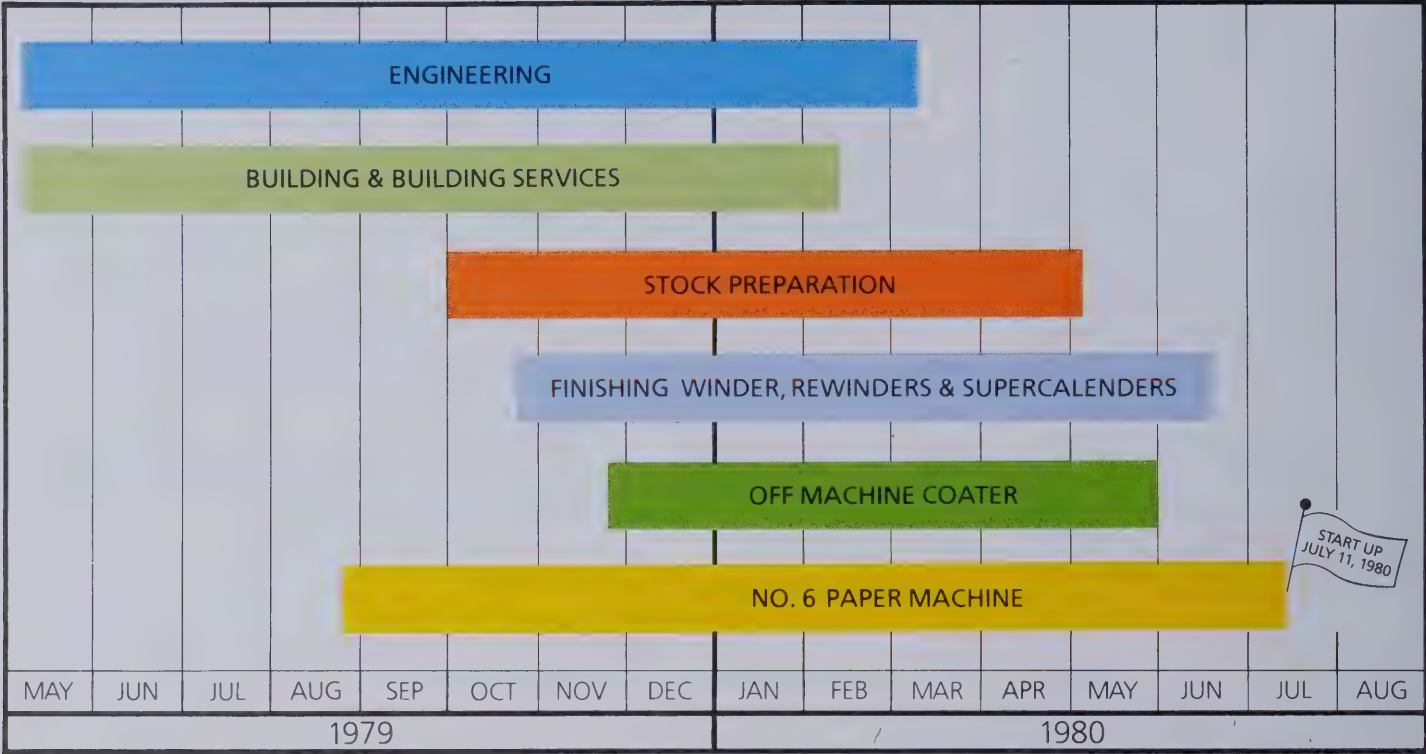
This \$75 million project was partially financed by a group of major printers and publishers who have signed long-term contracts for the bulk of the tonnage from the new machine. These commitments provide a strong sales base for the future and add considerable stability to our long-term operational outlook.

Existing paper machines No. 1, 3 and 5 will undergo extensive modernization and will be speeded up to produce additional tonnage in heavier-weight papers. Backup machinery and equipment throughout the mill will either be refurbished or replaced to ensure that the modernized machines will operate efficiently and produce improved-quality paper. After this overall expansion program is complete, Midtec will be one of the largest coated-paper mills in the United States.

The time allotted by Midtec management for bringing in this new machine—about 14 months from ground breaking to machine startup—represents an extremely ambitious schedule. An experienced project team has been assembled at Midtec which planned the expansion, supervises the construction, and expedites the solutions to the many problems and bottlenecks inherent in such a complicated task. At this writing in the spring of 1980, this dedicated group is sticking by its forecast of an early-summer startup date. It is planned to use this project team to supervise the expansion program at Nitec scheduled for the near future.

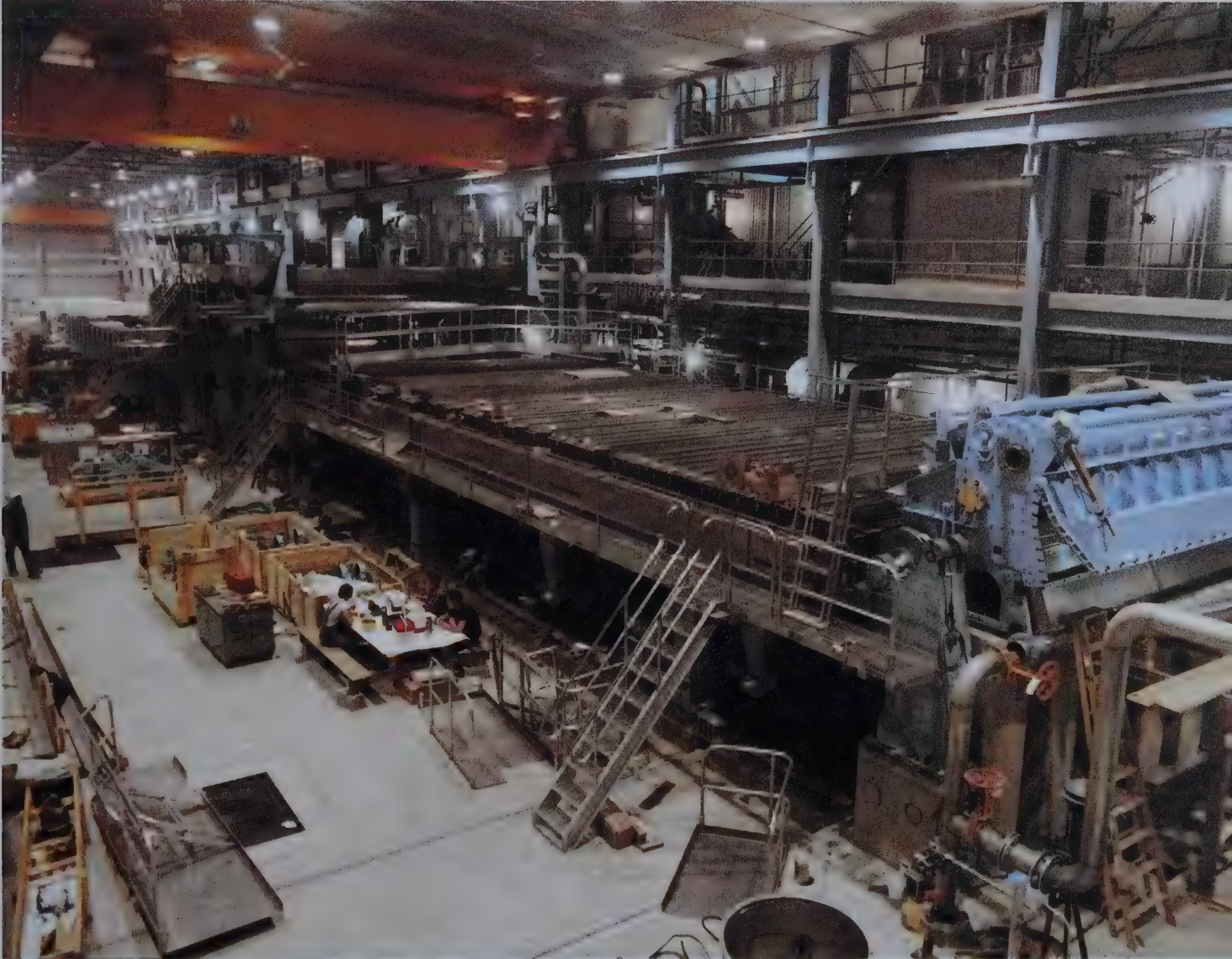


# M6 Project schedule





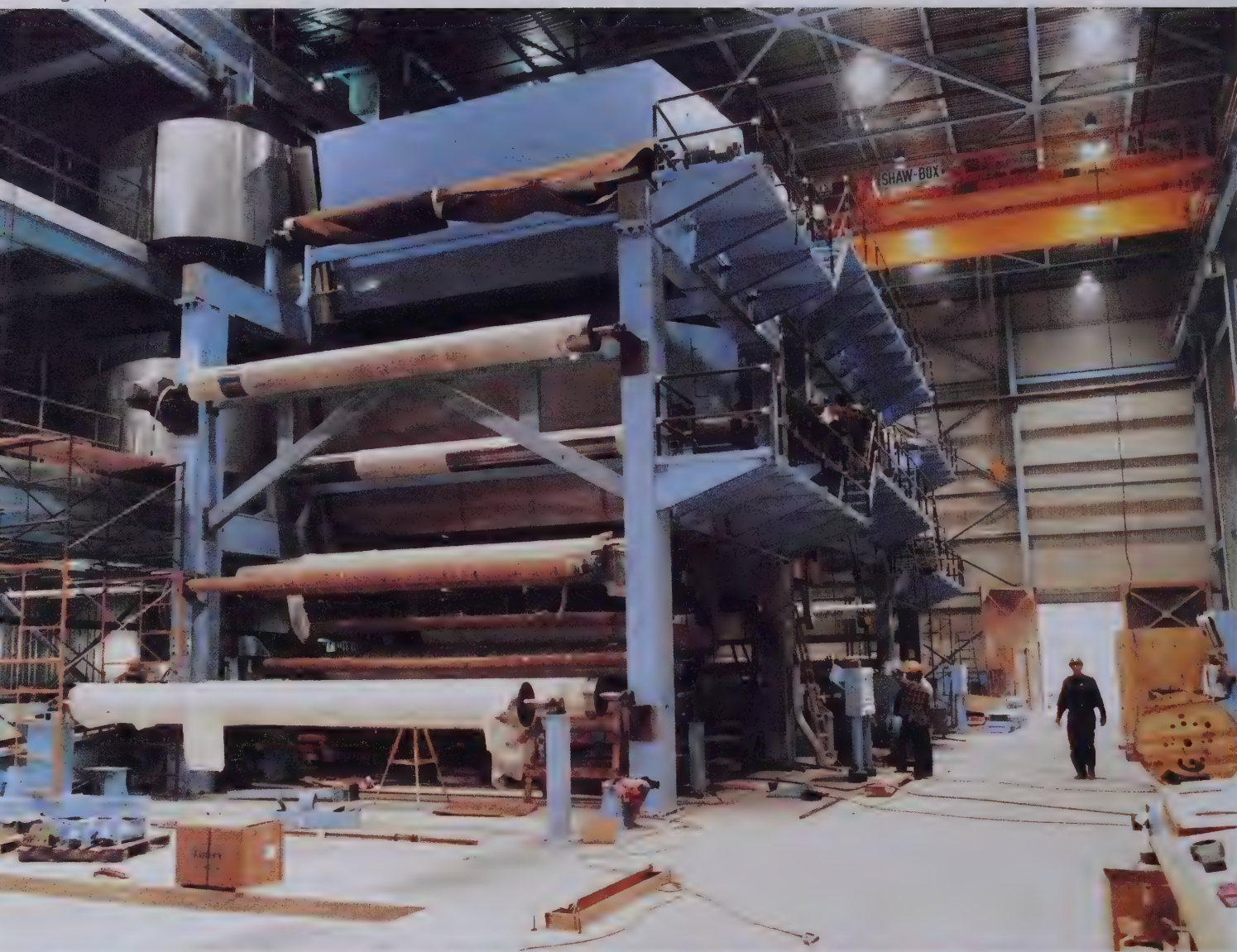
Excavation for the Paper Machine Building



M-6 Paper Machine



High Speed—Off Machine Coater



Two Supercalanders



High Speed Winder



Midtec Paper Corp., Kimberly, Wisc.



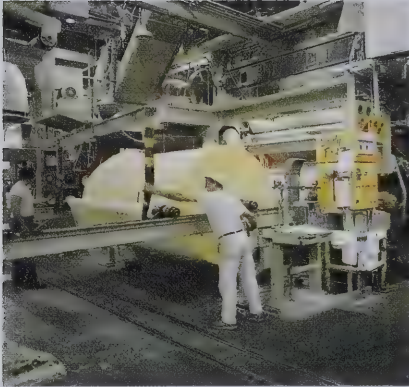
### The Nitec Expansion

Engineering has been completed at Nitec for a modernization and expansion program in coated paper to almost double existing capacity to 136,000 tons a year within the next three years. This program will also improve paper quality, particularly surface characteristics and will provide for the efficient production of lighter-weight publication grades.

The modernization-expansion program will entail complete rebuilds of the two paper machines at Nitec, modernization and speedups of supporting equipment, a new refiner-mechanical pulp plant, a new kraft pulper, and an automatic roll-wrapping line.

When the modernization and expansion program is complete, the Nitec mill will be one of the most competitive mills of its type in the coated paper industry.

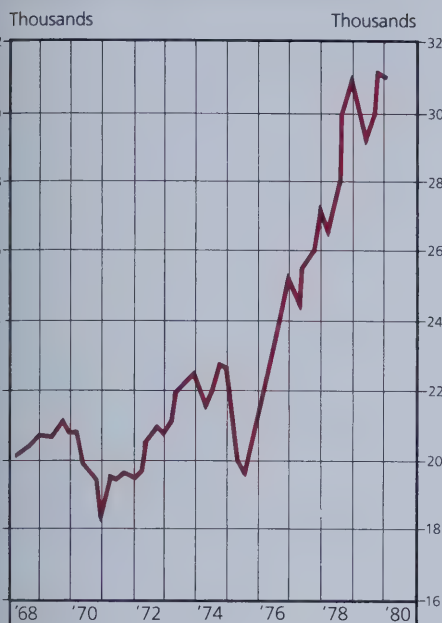
The Tissue Division has been reorganized as a separate business entity under the leadership of Jobe B. Morrison, General Manager. Considerable progress has been made in identifying specialty market areas where the unique characteristics of our tissue machines can be utilized profitably. An overall business strategy is being developed with studies underway to evaluate the feasibility of doubling the size of the deinking plant from 40 to 80 tons per day.



Nitec Paper Corp., Niagara Falls, N.Y.



## Magazine Advertising Pages



## Coated Paper Demand

A continuing increase is expected in the demand for coated paper in the United States throughout the Eighties, although the recession in 1980 will bring with it some slowdown in consumption. Long-term projections indicate an average annual increase in consumption of 2.5% to 4.0% over the next five years, with the demand for lightweight-publication grades sparking this growth.

Midtec is one of the few mills in the United States that produces both coated one side (C1S) and coated two side (C2S) paper in all enamel numbers and in both sheets and rolls. Nitec produces only No. 4 and 5 C2S paper in rolls.

The largest segment of the coated paper market is in No. 4 and 5 enamels, with the latter accounting for about half the total. These two grades are used primarily for magazine and other periodical publishing as well as for commercial printing. The major increase in demand for coated paper has been in the No. 5 grade and, more specifically, in the lighter weights within this grade. Since 1975, demand for paper weighing less than 36 pounds per ream in the No. 5 grade has increased at an average annual rate of over 14% while demand for 36 to 40 pound paper has increased by over 12% a year. The new machine now in the final construction stage at Midtec is geared to the production of these lightweight publication grades.

Increases in coated paper demand are foreseen particularly for magazine publishing and catalogues, which account for over half the C2S paper consumption. Between 1976 and 1979, magazines' share of national advertising revenues have increased one-third faster than total advertising revenues and 23% faster than television revenues. Circulation increases have been consistently upward in both subscription and newstand sales in spite of substantial increases in the average price per copy.

While we are aware of the planned new capacity in the U.S. coated paper industry over the next few years and the large increases in capacity announced in Europe, we believe that both Midtec and Nitec will be able to compete effectively and profitably. All of our earnings in these two companies are being re-invested in expanding capacity and in modernizing operations with the express purpose of making both mills more cost efficient in the fastest growing market segments.



## Financial Review

The continuing improvement in profitability that occurred in 1979 was extremely important to Tembec since it marked the third consecutive year of profit improvement. This improved earnings stream has allowed our capital investment program to be reactivated on a large scale. This fact, combined with the infusion of additional borrowing ability, has allowed us to aggressively embark on our expansion-modernization and environmental program which will greatly improve our future earnings and make our Temiscaming operations fully competitive in the world markets.

### Review of 1979

In 1979, sales reached new highs, with gross sales totalling \$74,466,194. The increase in sales in 1979 was due to a substantial increase in prices as well as to an improvement in mix.

The average price per metric ton increased by \$98.93, or 23.5% while production and freight costs increased by \$40.19 a ton, or 10%, resulting in an increase in gross margin of \$58.74 a ton. Gross margin amounted to \$11,175,935 in 1979 on sales of 142,900 metric tons, compared with a gross margin of \$3,052,885 in 1978 on sales of 157,234 tons, for an improvement of \$8,123,050.

Corporate expenses increased by \$1,548,653, rising from \$3,627,580 in 1978 to \$5,176,233 in 1979, mainly as a result of increases in financing charges and the payment of \$400,161 in profit sharing. Financing charges increased because of higher interest rates and the payment of interest on the Rexfor loan.

Operating profit improved by \$6,574,397, changing from a loss of \$574,695 in 1978 to a profit of \$5,999,702 in 1979.

Tembec's share of the earnings of MN Holdings totalled \$1,855,665, giving a pre-tax profit of \$7,855,367 for the year. As a result of the tax loss carryforward and the use of available capital cost allowances. Tembec did not incur any tax liability in 1979. Deferred income tax of \$2,468,957 was deducted to show a profit for the year of \$5,386,410, the equivalent of \$9.37 a share. The deferred tax represents the taxes that would be due if they were calculated based on straight-line depreciation instead of the capital cost allowance.

In summary, 1979 was a very successful year for your Company.

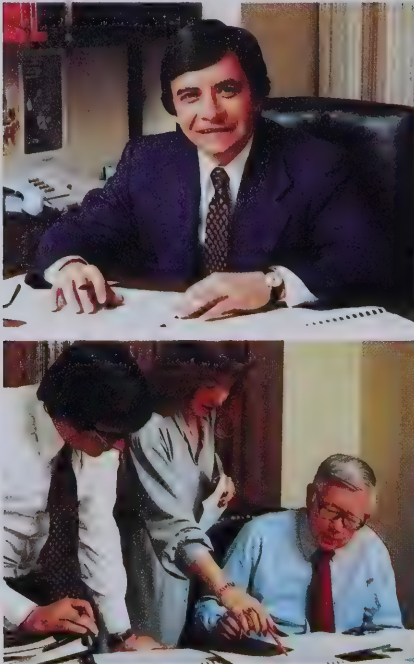
### Financing the Five-Year Plan

In early fiscal 1980, Tembec concluded an agreement to borrow \$25 million in equal amounts from the Mercantile Bank of Canada and from the Toronto Dominion Bank to finance the initial cost of the Five-Year Business Plan. These loans are for 10 years with the first installment to be paid down in the second quarter of 1982.

In addition, an \$8 million working line was also negotiated with the same two banks.

Cash generation from existing facilities, plus additional cash from new projects, is expected to be sufficient to meet cash requirements for the program over the next five years. Tembec has applied for, and is counting on receiving, a \$12 million grant from the Province of Quebec under the current program to provide assistance to the forest products industry for the mill modernization and environmental controls.

**Pierre Monahan**  
Vice-President Finance/Treasurer/  
Assistant Secretary







### **Rexfor Loan**

In 1979, the Rexfor loan was reduced to \$8,418,241 as of the year end. This reduction from \$10 million was a combination of repayment of \$1 million and a reduction in the inventory levels to which this loan is related.

### **Balance Sheet Review**

Major changes in the financial condition of the Company in 1979 include the following:

- Shareholder's equity increased by \$5,386,410, to \$24,067,412, reflecting the after-tax profit for the year.
- Book value per share increased by \$10.93 to \$41.19.
- Long-term debt as a percent of equity dropped from 111% in 1978 to 82% in 1979 and equity exceeded long-term debt for the first time.
- Deferred income taxes increased from \$6,354,597 to \$8,823,554, thereby providing the Company with the use of \$2,468,957 additional cash.
- The Current Ratio improved from 1.5 to 2.1 in 1979.
- The short term demand loan of \$5,150,000 was completely repaid.
- Income taxes of \$1,087,866 due from previous years were paid.
- These reductions in current liabilities were substantially greater than reductions in current assets.
- Trade receivables were reduced from 8.4 weeks to 4.6 weeks.
- Inventories were reduced from 11.6 weeks sales to 10.2 weeks. This decline was all in finished goods.
- Investments increased from \$6,508,333 to \$8,363,998, or by \$1,855,665, which was Tembec's share of the profit of MN Holdings.
- Additions and improvements to plant and equipment totalled \$3,899,645 in 1979.

In early fiscal 1980, the Company redeemed all the first mortgage bonds, totalling \$138,350, which were outstanding at 1979 year end representing the last of the 1st mortgage bonds held by ATKWA, an employee holding company.



**Change in Financial Position, 1979**

In 1979, your Company generated \$9,389,041 in working capital, including \$7,656,351 from operations and \$1,732,690 from other sources. During the year, the Company used \$4,037,932 for investment in plant and equipment and \$2,059,307 to reduce long-term debt. The remaining \$3,291,802 was used to increase working capital from \$8,261,452 at the beginning of the year to \$11,553,254 by year end.

**Reduction in Bank Debt**

Debt was reduced by \$6,307,929 during 1979, including \$994,959 in long-term debt and \$5,312,970 in current debt.

The reduction in long-term debt of \$994,959 is shown in the "Changes in Financial Position" statement as a reduction of \$2,022,177 partially offset by the addition of \$1,008,000 (reclassified from the current portion).

**Change in Working Capital Accounts**

Working Capital increased by \$3,291,802 during the year through a reduction of \$5,504,467 in current liabilities, which more than offset a reduction of \$2,212,665 in current assets.

The reduction of \$5,504,467 in current liabilities increased working capital by reducing obligations by \$6,400,836, even though accounts payable and accrued charges increased by \$896,369. The reduction in obligations included the repayment of \$5,150,000 demand loan and the payment of \$1,087,866 in income taxes due from previous years, and a \$162,970 reduction in the current portion of the long-term debt.

The decline in current assets of \$2,212,665 is the result of a reduction of \$2,993,695 in accounts receivable and a reduction of \$176,898 in prepaid expenses which were not offset by an increase in cash and term deposits of \$748,355 and an increase in inventories of \$209,573.

**Foreign Exchange**

As a matter of Company policy \$60,000,000 per year representing approximately 85% of anticipated U.S. dollar receipts has been hedged forward for the next three years. This will ensure an average realization of \$1.1544 Canadian dollars per U.S. dollar in 1980, of 1.16688 in 1981 and of 1.1465 in 1982.

**Inflation Accounting**

While recognizing the important need to reflect the impact of inflation on your Company's financial results, specific numbers have not been included in this year's report as we have been unable to place an appropriate value on our fixed assets that would be comparable with other Companies in the pulp and paper industry.



# Consolidated Balance Sheet

September 30, 1979

<b>ASSETS</b>	<b>1979</b>	<b>1978</b>
Current:		
Cash	\$ 549,115	\$ 1,300,760
Term deposits	1,500,000	—
Accounts receivable—trade	6,046,787	9,084,350
—affiliated companies	653,285	609,417
Inventories (note 3)	12,844,502	12,634,929
Prepaid expenses	281,933	458,831
Total current assets	21,875,622	24,088,287
Investments:		
Shares of a company subject to significant influence	8,363,998	6,508,333
Loans and advances to affiliated companies	514,988	1,096,200
	8,878,986	7,604,533
Fixed assets (notes 4 and 6)	37,972,547	34,072,902
Less accumulated depreciation	6,368,178	4,887,748
	31,604,369	29,185,154
Other assets (note 5)	553,133	678,195
	\$62,912,110	\$61,556,169
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1979</b>	<b>1978</b>
Current:		
Note payable to bank	\$ —	\$ 5,150,000
Accounts payable and accrued charges	8,666,360	7,962,389
Accounts payable to Rexfor	192,398	—
Income taxes payable	—	1,087,866
Current portion of long-term debt (note 6)	1,463,610	1,626,580
Total current liabilities	10,322,368	15,826,835
Long-term debt (note 6)	19,698,727	20,693,686
Deferred income taxes (note 8)	8,823,554	6,354,597
Minority interest	49	49
Shareholders' equity:		
Capital stock (note 7)	1,248,127	1,248,127
Contributed surplus (note 8)	3,619,525	3,619,525
Retained earnings	19,199,760	13,813,350
	\$24,067,412	18,681,002
	\$62,912,110	\$61,556,169

See accompanying notes to the consolidated financial statements



# Consolidated Statement of Income

For the year ended September 30, 1979

	1979	1978
Gross Sales	\$74,466,194	\$66,328,879
Freight, commissions and others	9,123,585	9,766,451
	<b>65,342,609</b>	56,562,428
Cost of sales (including depreciation of \$1,542,242 for 1979 and \$1,532,580 for 1978)	<b>54,166,674</b>	53,509,543
	<b>11,175,935</b>	3,052,885
Expenses:		
Selling, general and administrative	1,958,481	1,812,953
Amortization of pre-operating costs	53,533	53,533
Amortization of development costs	79,230	59,422
Interest on short-term borrowings (after deducting interest revenue of \$103,537 in 1979 and \$22,972 in 1978)	194,439	704,115
Interest and financing charges on long-term debt (after deducting interest of \$492,746 in 1979 and \$560,569 in 1978, capitalized on construction projects)	2,490,389	997,557
Employees' profit sharing	400,161	—
	<b>5,176,233</b>	3,627,580
Share of earnings of a company subject to significant influence	1,855,665	2,529,449
Income before income taxes and extraordinary item	7,855,367	1,954,754
Deferred income taxes	2,468,957	(327,083)
Income before extraordinary item	5,386,410	2,281,837
Extraordinary item: Gain on disposal of majority interest	—	787,820
Net income	<b>\$ 5,386,410</b>	\$ 3,069,657
Earnings per share:		
Income before extraordinary item	\$ 9.37	\$ 3.97
Net income	<b>\$9.37</b>	\$5.34

See accompanying notes to the consolidated financial statements

## TEMBEC INC.

# Consolidated Statement of Retained Earnings

For the year ended September 30, 1979

	1979	1978
Retained earnings, beginning of year	\$13,813,350	\$10,743,693
Net income for the year	5,386,410	3,069,657
Retained earnings, end of year	<b>19,199,760</b>	13,813,350

See accompanying notes to the consolidated financial statements



# Consolidated Statement of Changes in Financial Position

For the year ended September 30, 1979

	1979	1978
Sources of working capital:		
Operations—		
Income before extraordinary item	\$ 5,386,410	\$ 2,281,837
Items which do not provide or use funds:		
Depreciation and amortization	1,704,433	1,674,963
Deferred income taxes	2,468,957	(302,054)
Gain on disposal of fixed assets	(47,784)	(20,420)
Share of earnings of a company subject to significant influence	(1,855,665)	(2,529,449)
Funds provided by operations	7,656,351	1,104,877
Issue of bonds and mortgages	19,218	790
Issue of capital stock for a cash consideration	—	210
Decrease in advances to affiliated companies	581,212	—
Proceeds on disposal of fixed assets	124,260	242,908
Reclassification of current maturities of long-term debt	1,008,000	1,201,056
Total sources of working capital	9,389,041	2,549,841
Applications of working capital:		
Long-term loans to employess	31,149	16,971
Increase in advances to affiliated companies	—	770,063
Fixed assets acquired	4,037,933	1,772,751
Development costs	5,980	158,459
Reduction of long-term debt	2,022,177	2,058,007
Total applications of working capital	6,097,239	4,776,251
Increase (decrease) in working capital	3,291,802	(2,226,410)
Working capital, beginning of year	8,261,452	10,487,862
Working capital, end of year	\$11,553,254	\$ 8,261,452

See accompanying notes to the consolidated financial statements



# Notes to Consolidated Financial Statements

September 30, 1979

## 1. Significant accounting policies

- a) Investments  
The investment in the company subject to significant influence is accounted for on an equity basis. The investments in Temfibre Inc. (wholly-owned) and Tembois Inc. (51% owned) are consolidated.
- b) Inventories  
Finished goods are valued at cost (on a first-in, first-out basis) or net realizable value, whichever is lower. Other inventories are valued at the lower of cost (on a first-in, first-out basis) and replacement cost.
- c) Fixed assets and depreciation  
Fixed assets are recorded at cost less accumulated depreciation.  
Depreciation is provided in the accounts on a straight-line basis over the estimated service lives of the related fixed assets as indicated in note 4.
- d) Deferred pre-operating costs and amortization  
Costs incurred related to the period prior to commencement of commercial production were deferred and are being amortized against income on a straight-line basis over a period of ten years, ending in 1983.
- e) Deferred development costs and amortization  
Costs incurred related to development of new products and processes are deferred and are amortized against income on a straight-line basis over a period which should correspond to the payback period, not to exceed five years.
- f) Deferred financing charges and amortization  
The charges related to obtaining long-term loans are deferred and amortized on a straight-line basis over the duration of these loans. The amortization of these charges (29,428 in 1979 and 1978) is included in interest and financing charges on long-term debt shown on the consolidated statement of income.
- g) Interest capitalized on construction projects  
Interest capitalized is calculated based on the average value of construction in progress during the year using interest rates paid by the company on long-term loans.
- h) Translation of foreign currencies  
Current assets and liabilities which will be realized in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the year-end.  
Other assets and liabilities which will be realized in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at dates of transactions.  
Net translation gains or losses are taken into income.

## 2. Change of name

The company obtained, on May 18, 1979, supplementary letters patent changing its name from Tembec Forest Products Inc. to Tembec Inc.

## 3. Inventories

	1979	1978
Finished goods	\$ 2,075,089	\$ 2,481,904
Wood and expenditures on logging operations	7,416,380	7,019,986
Supplies and materials	3,353,033	3,133,039
	<b>\$12,844,502</b>	<b>\$12,634,929</b>

## 4. Fixed assets

	1979				
	Estimated service lives (years)	Cost	Accumulated depreciation	Net book value	Net book value
Land	—	\$ 208,251	\$ —	\$ 208,251	\$ 215,575
Land improvements	20	363,737	76,130	287,607	305,794
Mill	20	15,078,477	3,031,431	12,047,046	12,736,442
Mill equipment	20	12,157,729	2,112,176	10,045,553	10,096,391
Trucks and automobiles	3	72,592	71,960	632	8,249
Mobile equipment	5	643,819	582,285	61,534	119,421
Furniture and fixtures	5-12	210,476	95,083	115,393	127,153
Leasehold improvements	5	64,681	23,670	41,011	6,968
Linings and shells	8	760,164	249,007	511,157	606,177
Houses	25	458,445	64,828	393,617	332,088
		30,018,371	6,306,570	<b>23,711,801</b>	<b>24,554,258</b>
Assets held for resale		101,608	61,608	40,000	85,000
Construction in progress		7,852,568	—	<b>7,852,568</b>	<b>4,545,896</b>
		<b>\$37,972,547</b>	<b>\$ 6,368,178</b>	<b>\$31,604,369</b>	<b>\$29,185,154</b>



5. Other assets		1979	1978
Deferred charges			
Pre-operating costs	\$214,135	\$267,669	
Financing charges	51,442	80,870	
Development costs	25,787	99,037	
	291,364	447,576	
Long-term loans to employees		261,769	230,619
	\$553,133	\$678,195	
6. Long-term debt		1979	1978
Advances from Rexfor, a shareholder, bearing interest at a rate based on the profitability of Tembec Inc. but not to exceed the prime rate plus 1%, \$420,053 being repayable in 1980 and \$1,000,000 annually thereafter, guaranteed by a floating charge on the assets of Tembois Inc., a subsidiary. Interest paid was calculated at the prime rate plus 1% in 1979 (no interest paid in 1978)		\$ 8,418,241	\$ 8,983,108
Term loan, bearing interest at 2½% over the prime rate, repayable in quarterly instalments until 1982, guaranteed by first mortgage bonds, 15%, Series "B", in the sum of \$15,000,000 (note 12)		12,186,528	12,690,528
First mortgage bonds at 9½% (note 12):			
— Series "A", repayable on April 15, 1980	63,200	126,400	
— Series "C", repayable in annual instalments of \$35,600 until June 1, 1981	71,200	106,800	
— Series "D", repayable on June 1, 1980	3,950	13,430	
Loan from Rexfor, a shareholder, bearing interest at 1% over prime rate, repayable on September 26, 1980, guaranteed by a first mortgage on specific land and equipment		400,000	400,000
Mortgages, 11¼%, repayable in monthly instalments of \$268 (capital and interest), maturing in 1992, against which the related houses and land are pledged as collateral		19,218	—
	21,162,337	22,320,226	
Less current portion (note 12)		1,463,610	1,626,580
	\$19,698,727	\$20,693,686	
<p>The first mortgage bonds are guaranteed by a specific charge on all the assets and rights of Tembec Inc. (excluding the houses owned by Tembec Inc. and the land on which they are built, and the assets specifically given as collateral to the \$400,000 loan from Rexfor) and by a floating charge on Tembec's undertakings and future assets.</p> <p>Maturities of long-term debt for the four years following September 1980 are as follows: \$1,001,134 in 1981, \$1,625,880 in 1982, \$2,250,982 in 1983 and \$2,251,096 in 1984.</p>			
7. Capital stock		1979	1978
Authorized:			
87,662 Class A preferred shares, 6% cumulative, participating, voting, of a par value of \$6 each, redeemable at par plus unpaid cumulative dividends. Cumulative dividends commence three years after the date of issue.			
10,000 Class B preferred shares with a par value of \$100 each, all being redeemable for an aggregate total price of \$1, with non-cumulative dividends payable annually at the rate of 1% commencing in 1983.			
1,000,000 common shares without par value.			
Issued and fully paid:			
10,000 Class B preferred shares	\$1,000,000	\$1,000,000	
575,090 common shares	248,127	248,127	
	\$1,248,127	\$1,248,127	

During the year, Tembec Inc. obtained supplementary letters patent cancelling the 412,338 Class A preferred shares that had been previously redeemed.

Tembec Inc. has committed itself not to redeem or purchase the Class B shares unless the advances made by Rexfor to Tembois Inc., a subsidiary, have been fully repaid.



<b>8. Contributed surplus</b>	<p>During prior fiscal periods, the Department of Regional Economic Expansion (D.R.E.E.) paid a grant to Tembec Inc. of \$5,170,750 under the provisions of the Regional Development Incentives Act.</p> <p>The costs of the fixed assets acquired have been reduced for federal tax purposes by the full amount of the grant received, and thus depreciation allowed as a deduction in the computation of future taxable income is lower than that charged in the accounts. A portion of the grant (\$1,551,225) has been set up as deferred income tax; the remainder was credited to contributed surplus.</p>
<b>9. Investment tax credit</b>	<p>Tembec Inc. has available approximately \$1,275,000 of investment tax credits, which may be used in future years to reduce the income taxes otherwise payable to the federal government. These credits are an incentive given by the federal government to encourage investment in manufacturing facilities. Of the total amount of \$1,275,000, \$223,000 can be used until 1980, \$382,000 until 1981, \$248,000 until 1982, \$91,000 until 1983 and \$331,000 until 1984.</p>
<b>10. Contingent liability</b>	<p>A supplier is claiming from Tembec Inc. an amount of \$683,410 for an alleged breach of contract. This claim is being vigorously contested by the company.</p>
<b>11. Commitments</b>	<p>Tembec Inc. is committed to buy equipment at a cost of \$1,200,000. This equipment should be delivered in April 1980.</p> <p>Tembec Inc. has entered into foreign exchange contracts and as at September 30, 1979, open exchange contracts covered the net cash flow anticipated from sales made in U.S. currency for the coming year at rates averaging \$1.1584 Canadian for each \$1.00 U.S. The amount of open contracts may vary from time to time.</p>
<b>12. Subsequent events</b>	<p>After September 30, 1979, Tembec Inc. entered into a long-term borrowing agreement with its bankers for an amount of \$25,000,000. The proceeds will be used to prepay the existing term loan of \$12,186,528 and the balance to finance the cost of the modernization program of the mill. The reimbursement of the \$25,000,000 loan will start on June 30, 1982. Accordingly, the current portion of the existing term loan, in the amount of \$2,016,000, was not included in current maturities. On December 1, 1979, Tembec Inc. redeemed the first mortgage bonds (series "A", "C" and "D") which were outstanding at the year-end.</p>
<b>13. Comparative figures</b>	<p>Some of the figures for 1978 have been restated to conform with the presentation adopted in 1979.</p>

## Auditors' Report

To the Shareholders of Tembec Inc.:

We have examined the consolidated balance sheet of Tembec Inc. as at September 30, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination of the financial statements of Tembec Inc. and Temfibre Inc., a subsidiary, was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary and of the company subject to significant influence.

In our opinion, and according to the best of our information and the explanations given to us, and as shown by the books of the company, these consolidated financial statements are drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada,  
December 3, 1979.

*W. Clarkson Gordon*  
Chartered Accountants



# Six Year Review

## Sales & Earnings:

	1979	1978	1977	1976	1975	1974
Gross Sales	\$ 74,466	\$ 66,329	\$ 46,343	\$ 37,331	\$ 38,473	\$ 46,976
Freight, Distribution & Other	9,123	9,766	3,208	932	1,065	3,113
Net Sales	65,343	56,563	43,134	36,399	37,408	43,863
Cost of Sales	52,625	51,866	38,339	30,286	30,510	24,046
Operating Profit	12,717	4,697	4,795	6,113	6,898	19,817
Selling and Administration Expense	1,968	1,813	1,543	927	1,051	2,156
Interest Expense	2,685	1,702	1,744	1,126	429	21
Depreciation and Amortization	1,674	1,643	1,403	1,270	801	1,001
Profit Sharing	400	—	—	204	310	1,010
Income Taxes—Deferred (Note)	2,469	(327)	(79)	1,298	1,991	6,615 <sup>(1)</sup>
Share of Earnings (loss) of affiliates (Note)	1,856	3,317 <sup>(2)</sup>	242	(3,059)	453	331
Net Income (loss)	5,387	3,070	425	(1,772)	2,769	9,345

## Assets and Capitalization:

Current Assets	\$ 21,876	\$ 24,088	\$ 28,864	\$ 29,555	\$ 29,198	\$ 30,596
Current Liabilities	10,322	15,827	18,376	15,226	15,587	15,606
Working Capital	11,554	8,261	10,488	14,329	9,611	14,990
Plant & Equipment at Cost	37,972	34,073	32,793	29,921	21,090	8,853
Accumulated Depreciation	6,368	4,888	3,625	2,709	1,757	1,009
Additions to Fixed Assets	3,899	1,280	2,871	8,831	12,237	6,453
Long Term Investment in Affiliates	8,879	7,605	3,517	911	3,392	2,271
Total Assets	62,912	61,556	62,194	48,382	49,618	41,895
Long-Term Debt	19,699	20,694	21,550	21,066	11,000	8,987
Deferred Income Taxes	8,824	6,355	6,657	6,736	5,430	1,896
Cash Flow from Operations	7,656	1,103	1,553	3,945	6,155	10,914

## Financial Data:

Common Shares	575,090	584,305	584,305	584,305	578,305	549,205
Book Value per Share	\$40.11	\$30.26	\$24.44	\$21.75	\$19.00	\$11.37
Shareholders' Equity	24,068	18,681	15,611	15,353	17,601	15,406
Net Income (loss) per Share	\$9.37	\$5.25	\$0.69	\$(2.73)	\$3.30	\$8.91
Production (tonnes)	137,991	138,378	122,751	106,270	122,994	120,998
Number of employees	575	522	529	544	582	600
Annual Payroll and all Benefits	\$10,658,420	\$9,542,228	\$8,794,679	\$8,578,005	\$7,786,980	\$5,852,355

NOTE: 1) All taxes are deferred except for 1974.

2) Including an extraordinary gain of \$788,000 on disposal of majority interest.



## Directors

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**George S. Petty**

Chairman & Chief Executive Officer

**Joseph Mason**

Vice Chairman

**Frank A. Dottori**

President & Chief Operating Officer

**James F. Chantler**

Vice-President Manufacturing

**Jean Paul Zigby**

Partner—Desjardins Ducharme Desjardins et Bourque

**Charles Carpenter**

President Local 233

Canadian Paperworkers Union

**Gordon Lackenbauer**

Pitfield, Mackay, Ross & Company Limited

## Officers

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**George S. Petty**

Chairman & Chief Executive Officer

**Frank A. Dottori**

President & Chief Operating Officer

**James F. Chantler**

Vice-President Manufacturing

**W. John Lafave**

Vice-President Marketing

**Pierre Monahan**

Vice-President Finance/Treasurer/  
Assistant Secretary

**Terrance Kavanagh**

Vice-President Technical Services  
& Development

**S. Ralph Francis**

Vice-President Supplies

**Thomas W. Laberge**

Assistant Vice-President Finance  
and Controller

**Arthur Perrault**

Assistant Treasurer  
& Office Manager

**Serge Desrochers**

Secretary





**Tembec Inc.**

**Head Office:**  
1155 Dorchester Blvd. West  
Montreal, Quebec  
Canada

**Chemical Cellulose  
Woodpulp Mill**  
Temiscaming, Québec





**Tembec**